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# REFUTATION

OF

SOME DOCTRINES RELATING TO THE

SINKING FUND,

&c. &c.

CONTAINED IN A WORK LATELY PUBLISHED

BY THE

*EARL OF LAUDERDALE;*

WITH

ORIGINAL REMARKS

ON

DIFFERENT SUBJECTS OF POLITICAL  
ECONOMY.

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BY A MEMBER OF THE MIDDLE-TEMPLE.

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## A REFUTATION, &c.

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THE science of political economy, as far as wealth can affect the interests of a state, is a part of knowledge more essential than any other to the welfare of every community. The acting upon one false principle may abridge the comforts, or be the cause of even misery to a whole people. In proportion, therefore, as the interests of mankind are dependent upon an enlightened system of political economy, it becomes more important, that in it no false reasoning be suffered to delude the public mind, by advancing erroneous hypotheses, or maintaining principles not founded in nature, and confirmed by experience.

These considerations have given rise to the following *critique* of a work lately published by the Earl of Lauderdale, entitled "An Inquiry into the Nature and Origin of Public Wealth, and into the Means and Causes of its Increase." In this disquisition we have freely, but, we trust, fairly, canvassed the justness of the noble Earl's reasonings, and the soundness of the

principles which he has deduced from them. The result of our inquiry has been to detect, in repeated instances, what we conceive sophistry in argument, and a deduction from thence of principles, from their very nature highly detrimental.

The proposed object of the noble author is explained to us in the following extracts from the introduction prefixed to his book.

“ \*As a clear understanding of the relation which public wealth and individual riches bear to each other, appears of the highest importance in securing accuracy in every subject that relates to the science of political economy : the first and second chapters of this inquiry are therefore devoted to the consideration of the nature of *value*, the possession of which alone qualifies any thing to form a portion of individual riches ;—to an explanation of what public wealth is, and of what constitutes individual riches ;—and to an examination of the relation in which they stand to each other.

“ The meaning annexed in this work to the phrase public wealth, being thus explained, the third chapter contains an investigation of the sources of wealth, in which land, labour and capital, are separately treated of as the sources of wealth ; an opinion which, though it has been announced by some, and hinted at by others, does not seem to have made on any author so strong an impression as to be uniformly adhered to in the course of his reasonings.

“ An idea which has generally prevailed, (though it seems in itself a paradox), that wealth may be increased by means

y which it is not produced, in particular by parsimony, or deprivation of expenditure, has made it necessary to investigate this subject in the fourth chapter, as a preliminary to an inquiry into the means and causes of the increase of wealth; which is the object of the fifth chapter."

In the prosecution of this plan, the noble author has advanced doctrines so new, and different from every writer who has preceded him, as to warrant the conclusion, that they have been selected from an affectation of novelty rather than from a love of truth. The following are the principal of those to which we more particularly allude.

1. That the whole wealth of a community is not made up of the wealth of all the individuals composing the community.

2. That every kind of labour is productive of wealth.

3. That the frugal man is not a public benefactor, and that parsimony does not increase the public wealth.

4. That the sinking fund is a delusion, and, if continued to be acted upon, will inevitably ruin the country.

These we shall shew to be some of the doctrines of the noble Earl, and, we confess, they entitle him to the merit of originality. But of each of them we pre-

pose to demonstrate, either, that it is false ; or, if true, that its truth is not established by the reasonings of the noble Earl.

The foregoing are the errors of greater moment. There are others of minor consideration, which, however, we shall but slightly notice. Such are inaccuracies of expression, different meanings improperly attached to the same word, loose definitions, &c. &c.—faults, which the noble author himself has forcibly complained of, in works on political economy.—Of these we extract the following :—

In page 121 it is asserted, that “ consumption, most undoubtedly, must always precede production.” The term consumption must mean the consumption of some particular commodity or commodities ; but how is it possible that in any age or state of society whatever, any one commodity can have been consumed before it was produced ?—which it must have been if consumption precedes production. Perhaps the desire or necessity of consumption might have been intended to be expressed by the noble author.

In a note, page 185, the noble Earl says—

“ It is a strange confusion of ideas that has led Dr. Smith to describe the operation of capital as increasing the productive powers of labour. The same process of reasoning would lead a man to describe the effect of shortening a circuitous road between any two given places, from ten miles to five miles, *as doubling the velocity of the walker.*”

Dr. Smith has not been often accused of possessing a strange confusion of ideas; but if to describe the operation of capital as increasing the productive powers of labour, be, in the noble Earl's mind, the consequence of a strange confusion of ideas, a much more strange confusion of ideas must, in the mind of common sense, have led the noble Earl to the foregoing illustration. The effect of capital in the production of a commodity should have been likened to the effect of some *machine* in rendering the actual bodily exertion less in passing the *same* distance. Such being the comparison, the same commodity is produced, and the same distance passed, with the exertion of a smaller quantity of bodily labour. But an equal effect from a smaller quantity of labour is the same as a proportionably greater effect from the same quantity of labour. The same quantity of labour would by the same means have produced a greater effect; and, judging of the productive power of labour by the quantity of effect produced, that power has been augmented; which augmentation having been effected by capital, capital may therefore be said to increase the productive powers of labour.

We instance the following loose propositions from page 278:—

“ In civilized society, therefore, with the exception of what he derives from the ocean, the wealth of man can alone be increased :

“ 1. By labour, whether personal, or performed by ca-

pital, employed in increasing the quantity, and meliorating the quality of the objects of his desire; that is, *by agriculture*.

“ 2. By labour, whether personal or performed by capital, employed in giving form to, and adapting commodities for consumption; that is, *by manufacturing industry*.”

We are to suppose then under the first definition, as increasing the quantity, and meliorating the quality of the objects of man's desire, is attributed only to agricultural labour, that the iron forger, whose business it is to extract from the earth, and convert a quantity of ore into iron, does not increase the quantity of iron, one of the objects of man's desire; or, that the clothier who converts wool into cloth, or the miller who separates the bran from the flour, do not meliorate the quality of the commodities on which they are respectively employed. By *meliorating*, we mean giving a commodity a form adapted to answer in a *better* manner the purposes of man: we know of no other sense than this, in which agricultural labour can *meliorate* the quality of a commodity. The labour of the farmer in threshing his corn from the sheaf, is employed in *giving form to, and adapting a commodity for consumption*, as much as the labour of the miller in grinding it into flour, or the spinner of wool into a thread. But if the noble Earl regards the general business of the farmer as agricultural, he excludes this labour from the second definition.

We have selected these passages as examples of the less important faults above mentioned.

Where the noble author has contented himself, with illustrating points already established, he has been more fortunate. What he has said of value, by which, however, he means nothing more than market price, is generally pretty just. And, using the term *value* in this sense, he is right in maintaining, that no commodity whatever is intrinsically valuable. But we protest against the practice of unnecessarily attaching to words a different meaning from that commonly signified by them. Market price or exchangeable value would here have been the proper terms. This practice in the present instance leads to the maintaining, that water in itself is of no value; that beef and corn are of no value; and that articles of cloathing are of no value; commodities without which we cannot subsist. If such a practice be permitted, we may mean, that a man enjoys good health, when we say he is sick; or, that a body is of a shining brightness, when we call it black.

But we proceed to the main object of our undertaking.

I. That the doctrine, that *the whole wealth of a community is not made up of the wealth of all the individuals composing the community*, is one of the points maintained by the noble author, may be collected from the following passages of his work.

“ The terms • we use, in talking of the wealth of a nation, or of the riches of individuals, are in all languages exactly the

same. They denote, that private riches are universally considered in no other light than as a portion of national wealth. The sum total of the riches of those who form the community, is thus regarded as necessarily conveying an accurate statement of the wealth of a nation; and this idea has become so universally prevalent, that, even by philosophers, exchangeable value has been announced as the basis of wealth. An increase of the fortune of any member of the society, if not at the expence of any individual belonging to the same community, is uniformly deemed an augmentation of national wealth; and a diminution of any man's property, if not producing an increase of the riches of some of his fellow subjects, has been considered as of necessity occasioning a concomitant diminution of national wealth."

"\*That public wealth, however, ought not to be considered as merely representing the sum of individual riches, is undoubted; and that much of obscurity, and even of error, has existed in economical reasoning from confounding them, will be made apparent."

"It is, † however, impossible to subscribe to the idea, that the sum total of individual riches forms an accurate statement of public wealth. Though the opinion has been universally prevalent, it must be deemed false and unfounded by every man who considers the subject, after having formed, and familiarized himself to, an accurate and distinct opinion of the nature of value."

"§ When we reflect on the situation of this country, it appears, indeed, almost self-evident, that the sum total of individual riches cannot be considered as affording an accurate statement of public wealth."



Having thus shewn such to be the notion of the noble author, let us proceed to examine the means by which he endeavours to establish it. But first we read in a note—

“ \* The words *wealth* and *riches* are, in common language, used as synonymous. There is no term by which we can design the wealth of a nation, which is not equally applicable to the riches of individuals. In treating of private fortune, however, the word *riches* will be uniformly used ; and in expressing public opulence, the word *wealth*. To be more distinct, private or individual will be generally prefixed to riches, and public or national to wealth.”

Now to describe two words as signifying the same thing, but to tell us that, nevertheless, one of them will be employed constantly for one purpose, and the other for another purpose, carries with it no evidence of sound or fair reasoning ; and in the present instance we object to it altogether. We object to it, because we detect in it a covert attempt at raising a distinction between private wealth and private riches, which leaves the noble Earl at liberty to say, that he does not dispute the position that the mass of private *wealth*, but that the mass of private *riches* makes up the wealth of a nation. But if the noble Earl's aim be only to create a fanciful distinction between wealth and riches, his pursuit has been mere trifling. And at best the distinction would be subterfuge ; for the noble author

uses the terms *fortunes*, *property*, and *riches* indiscriminately, and perhaps he will not dispute, but that, by a man's *fortune* or *property* is meant his wealth. He says also, "private or individual will be generally prefixed to riches, and public or national to wealth," meaning thereby to express in relation to individuals and the public the same thing. But we will attach the same ideas to wealth as the noble Earl has done to riches, which renders the distinction immaterial, but meets the sense in which the noble Earl has used riches: both terms will therefore be used indiscriminately.

By the way, it should seem, that this tenet of the noble Earl's might be refuted in five words. Can any part of the wealth of a nation be destroyed without diminishing the wealth of some individual of that nation? No. Can any individual of a community be possessed of wealth which does not constitute a portion of the whole mass of wealth of that community? No. How then can it be said, that the sum of private wealth does not compose the whole wealth of a community?

But, to prove his position, the noble Earl urges the following arguments. Having supposed the case of a country, possessing every thing "in such an abundance, that every individual should find himself in possession of whatever his appetites could want, or his *imagination* wish or desire:" he says,

"\* The inhabitants of a country thus abounding in all that

man can desire, would, without the possibility of possessing riches, enjoy all the wealth and comforts which the largest fortunes can secure."

This indeed, is saying, the inhabitants of a country may, every one of them, be wealthy, and yet not be rich. But the noble Earl has supposed a situation of mankind contrary to the fundamental laws of nature, which, therefore, not only never will, but, even with the wonderful lamp of Aladdin, never could take place. Thus every man's imagination may suggest to him as desirable, the exclusive possession of this unlimited abundance; a desire impossible to be satisfied by the Deity himself. Or men might sigh for the enjoyment of so many houses as could not be contained in the whole earth, to gratify which is another kind of impossibility. Nothing can be concluded in argument from data like these. But allowing the situation supposed by the noble Earl to be that, of mankind enjoying an abundance the greatest *possible*, consistent with the first laws of nature; the conclusion which he has drawn is false. For, admitting the possibility that every individual could be possessed of a house as large as St. Paul's, yet exchangeable value (which is the criterion of riches with the noble Earl) would still exist. For, even then, men would barter their commodities; and a house as large as St. Paul's would not then be exchanged, for example, for a horse. The exchangeable value of such a house would even then (the quantity of all commodities being *equally* increased) bear the same proportion to the value of a horse as it does now. And whether, in such

a situation, the value which is now represented by a guinea, be then represented by a halfpenny, or the value of a halfpenny by a guinea, is perfectly immaterial ; for the desirableness of such house would still bear as high a proportion as now to the desirableness of a horse. The lower class of industrious Englishmen, compared with the starving savage of New Zealand, or Terra del Fuego, may, at this time, in some sense, be said to live in the greatest abundance ; but they have not arrived a step the nearer to the extinction of exchangeable value. On the contrary, it has ramified into an infinitely greater number of parts.

By this argument, however, the noble Earl puts the question of private wealth, or riches, on the ground of exchangeable value ; and on this ground also we shall shew, that he has failed in the proof of the proposition.

He has supposed two cases ; one taken from the funded property (we should have said more properly, the funded *debt*) of the country ; and the other, that of a failure of 3-10ths of the produce of grain. As to the first, he says—

“ At present \* the capital of the national debt amounts nearly to 500 millions. We have seen, and know, that war, even in the course of the first year, may sink the value of this capital 20 per cent. ; that is, that it may diminish the mass of individual fortunes one hundred millions ; and thus impose upon any man, who made up the account of public wealth on the

principle, that an accurate statement of it was to be derived from adding together the fortunes of individuals, the necessity of saying, that 100 millions of our wealth had vanished."

But does the noble author mean seriously to assert, that the proprietors of the public funds ARE possessed of property to the amount of nearly 500 millions? or that this supposed property actually EXISTS? This property once indeed HAD existence, but it was advanced to government, who consumed it. Will the noble Earl maintain that when an individual has lent 50,000*l.* to a spendthrift, who has totally dissipated it, but who still pays interest from another fund; will the noble Earl maintain, that in such a case, either of the parties is possessed of the fifty thousand pounds? Surely the noble Earl's principles of political economy can never lead him to such a position as this. Neither, therefore, can it be said, that the proprietors of the public funds are really possessed of this supposed sum, amounting nearly to 500 millions; whatever may be the nominal amount of their imaginary wealth. But, if there is no such wealth in existence, 100 millions of it cannot have vanished.

The other case put by the noble author is equally fallacious. He supposes a deficiency of  $\frac{3}{18}$  of the produce of grain, which he calculates would increase the value of a certain quantity of it from 300*l.* to 546*l.* As to which he remarks:

" Thus the \* wealth of the nation being diminished by the

loss of  $\frac{3}{10}$  of the whole of its produce of grain, the value of its grain would thereby be increased from 300l. to 546l.; and there would, by that means, be added to the mass of individual riches, a sum nearly equal to the value which the whole grain of the country bore when no such scarcity existed."

We argue this point under the admission, that the mass of private wealth is to be computed from the exchangeable value it bears; but it will be admitted on the other hand, that the amount of its exchangeable value must be measured by some invariable standard. The noble author somewhere holds, (what we will not dispute) that, at the same time and place, money is the real measure of the relative value of any two other commodities. But, in the case above supposed, money itself is compared with the commodity grain; and in the comparison its value is affected. It becomes necessary then to keep in our minds some ideal commodity, whose value shall be unaltered. Let the value of this commodity bear a certain proportion to the value of all the commodities belonging to a community. Silver may still be the circulating medium. In the case supposed by the noble Earl, silver, and all other commodities, which are purchased with silver, will procure a smaller quantity of corn; and corn of course will procure a proportionably larger quantity of silver and the other commodities. Silver and the other commodities, therefore, have lost as much in value as corn has gained. But the aggregate value of corn, silver, and all the other commodities, which together compose the wealth of a community, bears the same pro-

portion to this invariable measure as before : which was the point to be proved. And this point is, that the value of all the commodities possessed by a community, bears the same proportion to an invariable measure of value, whether the diminished quantity of corn exchanges for 300*l.* or 546*l.* Thus the second argument of the noble Earl's in favour of the position, that the mass of national wealth is not made up of the aggregate of private, is overturned on the ground of exchangeable value itself.

II. As to the second position, *that every kind of labour is productive of wealth*, we may collect it to be one of the noble Earl's maxims from the following passage. After having stated the arguments in favour of each side of the question, he draws this conclusion.

“ It appears\*, therefore, impossible to contend, that the labour of the manufacturer and artist, *or even the labour of that class whose services perish at the moment*, are not, as well as that of the husbandman, to be considered as productive of wealth.”

We shall refute this position, not by simply overturning the particular arguments of the noble Earl, (indeed they partake so largely of the properties of theameleon's skin, that we should be at a loss what particular assertions to contest :) but by proposing a definition of our own, different from the noble Earl's notions, on which to found a distinction.

We shall however, by the way, remark on the noble author's manner of arguing, from an example taken from a passage in support of this point, that all labour is productive of wealth.

In every branch of political economy, Dr. A. Smith is universally looked up to as the great authority. But, of late, it has become the fashion for every scribbler, on any subject bearing the least relation to political economy, to point out *errors* of Dr. Smith. Amongst others, the noble Earl is by no means sparing of his attacks on the doctrines of this writer. Now it is not to be supposed, that *the Wealth of Nations* is wholly free from error, (for that would be allowing it a more than human perfection): but all opposers of the principles contained in that work would do well to be satisfied, that they previously understand what they are about to contest. These authors in condemning the Dr.'s principles, seem to run into the same fault, with the man, who, having never looked into Euclid's Elements, should call a mathematical demonstration, nonsense. It would be unjust to rank the noble Earl generally with such writers; but, in the instance we are about to consider, he has evidently misunderstood, and misrepresented, the meaning of his author.

He states, that Dr. Smith considers, as unproductive labours, all those whose

“ \* Services perish in the very instant of their performance, and does not fix or realize *itself* in any vendable commodity,



which can replace the value of their wages and maintenance ; [Wealth of Nations, volume II. page 273.] Productive labour, on the contrary, he describes as fixing and realizing itself in some particular subject and vendible commodity. It is as it were a certain quantity of labour stocked and stored up to be employed, if necessary, upon some other occasion. That subject, or which is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it."

This is Dr. Smith's distinction between productive and unproductive labour ; and we conceive it to be well founded. From hence the Dr. generally concludes the labour of servants to be unproductive, which perhaps may want a little of his usual perspicuity. But the meaning may be, that the labour of servants, whose labour generally does not realize itself in any vendible commodity, is therefore generally unproductive ; and not, that their labour is unproductive, when employed upon and realized in some vendible commodity ; for then, in fact, it becomes the labour of manufacturers. But the noble Earl, in his eagerness to refute Dr. Smith, and not understanding the literal sense of the foregoing passage, has remarked on it in the following manner :

" Unfortunately", however, a little consideration makes this distinction appear nowise founded on the nature of labour, but merely dependent upon the use that is made of its produce. Thus the same labour may appear either productive

or unproductive, according to the use subsequently made of the commodity on which it was bestowed. If my cook, for example, makes a tart which I immediately consume, he is considered as an unproductive labourer ; and the act of making the tart as unproductive labour ; because *that service has perished at the moment of its performance* ; but if the same labour is performed in a pastry cook's shop, it becomes productive labour, because *it is a quantity of labour stocked and stored up, to be employed, if necessary, upon some other occasion : the price of it, if necessary, can afterwards put into motion a quantity of labour equal to that which had originally produced it*. Again : a piece of cloth burnt immediately after it was formed, would immediately bestow, according to this definition, the character of unproductive on the labour of the cloth manufacturer. Thus a tart being placed in a cook's shop, would give to the labour of the cook the character of productive, and the cloth being put in the fire, bestows that of unproductive on the labour of the manufacturer."

But is this REASONING ?—Productive labour is defined to be that which realizes itself in some *vendible* commodity. What is the meaning of *vendible commodity* ? Why it means a thing which may be sold ; not a thing actually sold or even intended for sale. Well then, the labour of the cook has realized itself in a vendible commodity. But the noble Earl says, that the act of making the tart is considered "as unproductive labour, because *that service has perished at the moment of its performance*." But that service has NOT perished at the moment of its performance, but it has realized itself in a vendible commodity, which the noble Earl cannot have consumed before it had existence ; and if it had existence but for a moment, it comes within the

definition of Dr. Smith. The noble Earl goes on to say, "but if the same labour is performed in a pastry-cook's shop, it becomes productive labour; *because it is a quantity of labour stocked, and storcd up,*" &c. Why did the noble Earl garble this extract, by leaving out the words "*as it were?*"—but because he saw the real sentence did not warrant the conclusion he proposed to draw. Dr. Smith no more says that it must be stocked and stored up with intent to be employed upon some other occasion, than that the vendible commodity must be actually sold. But the tart is stocked and stored up, though perhaps the noble Earl's appetite may not suffer it to continue so more than five minutes; and its price, if the noble Earl chose to sell it, and, *if necessary*, could afterwards *put into motion a quantity of labour equal to that which had originally produced it*. "Again: a piece of cloth burnt immediately after it was formed, would inevitably bestow, according to this definition, the character of unproductive on the labour of the cloth manufacturer." Here again the noble Earl forgets the meaning of vendible commodity; for otherwise, he argues, that because a commodity has been consumed without having rendered benefit to any individual, it has never been produced; in as much as by the definition, if it has been produced, the labour employed upon it must necessarily have been productive. The noble Earl's "little consideration" has therefore failed to make the distinction of Dr. Smith "appear no wise founded on the nature of labour, but merely dependent upon the use that is made of its produce."

So much for the noble Earl's manner of arguing : and as in this point he has not reasoned logically, so in others as well as this, he betrays a desire of discovering errors ; which he attempts, either from not understanding, or by perverting, the real meaning of the Dr.'s passages.

But let us proceed to the statement of our own ideas respecting the productiveness of labour.

We are to recollect, that labour is termed productive, or unproductive, as it affects the wealth of a community. But (as we see) no distinction, accurate enough not to be disputed, has hitherto been drawn, between what is properly productive, and what is unproductive labour. As to this point, the following contradictory maxims have been entertained.

Some have maintained, that agricultural labour is the sole source of wealth, the only labour which can be termed productive. Others have held, that, as well as agricultural, manufacturing labour, which realizes itself in some vendible commodity, is likewise productive ; but (as we see of Dr. Smith) these have excluded domestic servants from the list of productive labourers. The noble Earl again maintains, that every kind of labour is productive.

The first and third of these principles we shall shew to be wrong ; and the second to be either wrong, or to require elucidation.

I. The supporters of the agricultural system seem to attach ideas to the term productive, when applied to agricultural labour, which imply, that this labour actually creates the very matter, the very elements of which the body produced is composed. In no other sense of the term productive, do we see, what pretence the agriculturists can have, for conceiving any difference between the productiveness of agricultural and manufacturing labour. The ploughman, it is true, prepares the land and sows the corn ; and perhaps nine months afterwards, collects the increase which has been effected by the vegetative powers of nature. It is undoubtedly true, that, if the seed had not been sown, nature could not have given the increase. But it no more follows, that the labourer himself actually created this increase, than it does, that if we give a man an axe with which he is enabled to fell a tree, it is our labour which has felled the tree ; or then that, if we give a man money which enables him to go to London, it is we who make the journey.

It may be said, “ the corn would not have been in existence without the labour of the farmer.” “ Neither would a pair of bellows without the labour of the bellows maker.” “ But the wood and leather, of which a pair of bellows is composed, did exist before.” “ So did the matter, which, by vegetation, has assumed the form of wheat ; but wood and leather no more constitute a pair of bellows, than this matter does wheat.” The labour of the chemist, in producing water from a combination of oxygen and hydrogen gases seems to be indeed *more* creative than the labour of the agricul-

turist. For, neither oxygen nor hydrogen are any more like water, than the primitive matter of wheat (whatever it may be) is like wheat, and are equally invisible ; but the labour of the chemist seems to have the advantage, because its effect is immediate, while that of the farmer's does not take place for many months. The labours of the bellows-maker and chemist are, however, the labours of manufacturers. On inquiry, therefore, agricultural labour does not appear to possess the slightest primarily creative power, any more than the labour of the manufacturer.

But, independently of the false ideas attached to the term *productive*, the supporters of the agricultural system, in denying the labour of manufacturers the property of productiveness, are driven to maintain the absurdity, that England (or any country) would be equally rich with the bare rude produce of her soil, as with that and her immense quantity of manufactured commodities together ; that she would have been as wealthy as she is at this moment, if her bricks and stones, now forming a component part of her buildings, had remained in their original state of earth, or in the quarry ; if her broad cloths had been still wool on the sheep's back ; if her manufactures of iron had still rested in the shape of ore in the mountains of Wales ; or if her men of war had been still growing, or rotting, in her own, or in the forests of Norway :—for none of these are the produce of the labour of the mere agriculturist. The principle therefore that agricultural labour is alone productive of wealth is fundamentally wrong.

2. The definition of those, who maintain, that labour is productive, which realizes itself in some vendible commodity, we conceive to be just; but the general exclusion of the labour of servants from this class requires some elucidation. If we are to understand that every kind of labour performed by a servant, is to be considered as unproductive, from the circumstance of its being the labour of a servant, then we look upon the exclusion to be erroneous. The labour of domestic servants is often employed on commodities, and then it may be productive, being then indeed manufacturing labour. The servant who has, from a quantity of malt and hops, brewed a quantity of beer, has exerted productive labour; his labour has added to the wealth of the community. But the author of the *Wealth of Nations* might have intended to exclude only that, more properly the labour of servants, which does not realize itself in any vendible commodity; and might have considered the other kind, though performed by servants, as manufacturing labour. Taking the exclusion in this sense, notwithstanding, as we said, the passage is wanting in the Doctor's usual perspicuity, we look upon the definition altogether as just, and our own will be, in substance, the same.

3. As to the doctrine of the noble Earl, that every kind of labour is productive, or, to use his own words, "even the labour of that class whose services perish at the moment," we shall be short in our remarks. Supposing we should for a moment be inclined to allow, that the labour of a servant, who fetches a book from Charing-cross to his master's house, is productive

labour, (which we should do on the ground that his labour in gratifying his master's mind from having possession of the book, *may* have added to the desirableness of a commodity) supposing we should be inclined to allow even this, how will the noble Earl shew, that the labour of the same servant is productive (we are to recollect productive of wealth) in awaking his master at a certain hour in the morning, or in delivering a verbal invitation to a party? Oh! it may be answered, his labour is productive of gratification to his master's mind. Ay, but this gratification is not a gratification arising from the enjoyment of a desirable commodity; and we hold the production of mere mental gratification to be no production of wealth. If mere mental gratification be wealth, a nation of hermits may be possessed of greater wealth than England; the wealth of an empire may be augmented by the silly circumstance of a country loon having been delighted with a kind look from the mistress of his foolish affections.

Having thus shewn the first and third of these propositions to be erroneous, and the second being disputed, we must endeavour to substitute a definition of our own, which shall raise against itself no objections. In order to this, we must have in remembrance, that wealth, both individual and public, is not a creature of the mind, but something substantial, something which has a real existence in nature, something visible or tangible: and we conceive it to consist of such desirable substances as have been appropriated by human labour. With this idea of wealth, we define that to be pro-



ductive labour, which is employed on some rationally desirable substance, either in collecting it, or in rendering it more desirable, after it has been collected. We are not aware at present that this definition is open to any objections; we shall make a few remarks on it, but not with a view to a complete illustration.

By the definition it will be observed, that to constitute labour productive, our notion is, that it must not only be employed on some desirable substance, but, if bestowed on a substance already appropriated, that it must add to its desirableness. If the labour render a commodity less desirable than before, it has been on the contrary destructive of wealth. Still if it be an improvement in ever so small a degree, it is in that degree productive, notwithstanding, (if we may judge of the desirableness added to a commodity, by the increased price it will obtain) in the employment of capital, for instance, it might not have added enough to the price to secure the ordinary profits of trade; and notwithstanding the proprietor might, in consequence, have *comparatively* suffered a loss. For this only proves that the degree of increase of his wealth has not been proportional to the increase of the wealth of others, and not that his wealth has suffered no augmentation.

As the labour is productive, which adds to the utility of a commodity, notwithstanding the increased value might not have secured to its employer the ordinary profits of trade; so in like manner is such labour

productive notwithstanding the labourer might, in the mean time, have consumed more than he has produced. This circumstance only proves, that the wealth of the community is not on the whole greater (but is even less) than it would have been had such a man never existed ; and not that the community would have been equally rich, if the labourer had consumed the same quantity of wealth, without having added to the value of any commodity. But if not, his labour is productive. It is not to be said, that the labour of the farmer, in having collected from the earth a certain quantity of wheat, has been unproductive, because perhaps he has wasted more in living beyond his income.

The distinction between the labour which adds to the desirable properties of a commodity, and the labour which conveys only mental gratification to the employer, is perfectly obvious. But, it is true, the two kinds of labour may in their effects approach each other so near, that it may be difficult or impossible to mark with sufficient exactness their boundaries. And hence some have taken occasion to maintain (which indeed is the notion of the noble Earl) that there is no such distinction as productive and unproductive labour. Thus, though it may be readily acknowledged, that labour which adds considerably to the exchangeable value of a commodity, is productive labour, or that the labour of a washerwoman, who makes a shirt more desirable, and thereby increases its value, is productive labour ; yet it is questionable, whether the labour of a servant

in presenting a *billet-doux* to his master is productive; notwithstanding it might perhaps be said, that his labour in conveying it, has rendered the paper more valuable to his master. These difficulties may certainly occur in ascertaining in every case what is productive labour, or unproductive; but they argue nothing against the definition. In the productions of nature no man will dispute the existence of an animal, and a vegetable kingdom; and that man belongs to the former, and a cabbage to the latter. Yet there are substances, which not only common eyes cannot denominate animal or vegetable; but, we believe, there are substances found attached to rocks under the sea, enjoying the power of moving some of their parts, which naturalists themselves are at a loss whether to class amongst animals or vegetables. Since then we find difficulties like these of discovering the proper classes of things, where it is not doubted that there are principles of distinction, it is not to be said, that, because we do not know whether to call some particular labour productive or unproductive; therefore, there is no such distinction as productive and unproductive labour; and that, consequently, labour which can only gratify the mind, is productive of wealth, as well as that which adds, perhaps 1000*l.* to the value of a commodity.

In support of the notion that all labour is productive, it has been argued, strangely enough, that the labour of judges and soldiers is *productive* of wealth, because it *preserves* wealth, or renders it more secure. It might

as well be argued, that bread and beer *produce* men, because they support human life, or medicine, because it renders life more secure. The labour of judges and soldiers has been likened to the labour of a farmer in making a hedge for preserving corn and cattle ; but, independently of its property of preserving, a hedge is itself wealth ; and no man has hitherto hazarded the notion that labour itself is wealth, but only productive of wealth. Some classes of labourers however, for example, players and opera dancers, have not this claim to make ; it would be difficult to shew in what manner their labour tends to preserve wealth ; but if all labour be productive, theirs, surely, cannot be excluded.

III. We come now to the examination of the third point of the noble Earl's, *that the frugal man is not a public benefactor, and that parsimony does not increase the public wealth.* That this doctrine is in fact maintained by the noble author, we prove by the following extracts from his work.

“ But *popular* \* *prejudice*, which has ever regarded the sum-total of individual riches to be synonymous with public wealth, and which has conceived every means of increasing the riches of individuals to be a means of increasing public wealth, has pointed out parsimony or accumulation by a man's depriving himself of the objects of desire, to which his fortune entitles him (the usual means of *increasing* private fortune) as the most active means of increasing public wealth.”

“ When we reflect that this abstinence from expenditure, and consequent accumulation, neither tends to increase the produce of land, to augment the exertions of labour, nor to perform a portion of labour that must otherwise be executed by the hand of man ; it seems that we might be entitled at once to pronounce, that accumulation may be a method of transferring wealth from A. B. and C. to D. but that *it cannot be a method of increasing public wealth*, because wealth can alone be increased by the same means by which it is produced.”

“ But when the public *prejudice* is confirmed by men most admired for talents ; when we are told by the most esteemed authority, that *every prodigal is a public enemy, and every frugal man a public benefactor* ; that parsimony, and not industry, increases capital, (meaning wealth) ; and that, as frugality increases, and prodigality diminishes, the public capital ; so the conduct of those whose expence just equals their revenue, neither increases nor diminishes it ; it becomes necessary to enter into a more minute examination of this opinion ; and the more so, as it has given birth to an *erroneous* system of legislation, which, if persisted in, must *infallibly ruin* the country that adopts or perseveres in it.”

“ Fortunately, however\*, for mankind, the mechanism of society is so arranged, that the *mischief* done by the parsimony and disposition to accumulation of one individual is almost uniformly counteracted by the prodigality of some other ; so that in practice nothing is found more nearly commensurate than the expenditure and revenue of every society.”

These passages we think sufficient to shew one of the noble Earl's maxims to be, that the frugal man is

not a public benefactor, and that parsimony does not increase the public wealth. But the noble Earl has left the question so comfortably confused, that we find it necessary to ascertain, what is meant by writers, when they hold, that parsimony *increases* public wealth. The meaning seems to be pretty apparent, namely, that (allowing of course the production of wealth by other means to go on as before) when parsimony has saved, for example a sum of 1000l. there is more wealth in a country, than there would have been, had that sum of 1000l. been dissipated. To express this idea the term *increase* is used, but without an intention of conveying the notion, that any thing, which did not exist before, has been created. The noble author has himself used the word *increasing*, in this sense. In a parenthesis, he says of parsimony, "the usual means of *increasing* private fortune." And in page 41, "Parsimony, which experience teaches us, is the most usual means of *increasing* private fortune, &c." *Increasing* in these passages can only bear the sense we have attached to it; for parsimony, the mere act of preserving what has been already obtained, can no more add to the possessions of an individual, than it can to what constitutes the public wealth. Yet the individual, who saves a certain sum, is possessed of more than he otherwise would have been; which is all that the noble author could have intended by the word *increasing*, and all which is meant by the term when applied to public wealth. Since then the noble author admits that private fortune may be increased by parsimony; if (as we believe is pretty clear) the wealth of a community is made up of the mass of private wealth,

parsimony can also increase the wealth of the public. This alone refutes the position; but we will follow the noble Earl's statements.

He lays down, "that accumulation may be a method of transferring wealth from A. B. and C. to D. but that it cannot be a method of increasing *public* wealth, because wealth" (private we suppose as well as public) "can alone be increased by the same means by which it is produced." Here, independently of the luminous, and classically beautiful manner, in which the statement is made, he forces a construction on the term *increased*, different from that which it is universally understood to bear, and which he himself just before put upon it in respect to private fortune, by making it express the production of something new. And he contradicts his former admission, that parsimony increases private fortune, namely private wealth, by saying, generally, that wealth can alone be increased by the means by which it is produced.

Having said thus much on the possibility of increasing public wealth by parsimony, he labours to expose the "public prejudice" that every prodigal is a public enemy, and every frugal man a public benefactor. But how does he endeavour to compass his object?—Why, in a most curious manner.

He distinguishes the property of a society into three kinds; the land the farmer cultivates; the vegetable and animal substances reserved for immediate or remote consumption; and its capital, consisting of machinery,

&c. &c. But after making this division of property, and after stating it to be advantageous to increase capital when necessary, he says;

“If, on \* the other hand, however, he is already in possession of as much capital, as, in the existing state of his knowledge, he can use for the purpose of supplanting labour in cultivating the quantity of land he possesses, it can neither be advantageous for himself nor for the public that he should abridge his consumption of food, clothing, and the other objects of his desire, for the purpose of accumulating a much greater quantity of capital, (that is, of live and dead stock for performing labour) than can by possibility be employed in supplanting labour. The extension of his lands, or the invention of new means of supplanting labour, would justify a desire for increasing his capital; but, otherwise, accumulation, by deprivation of expenditure, must be detrimental to himself as well as to the public.”

“To the farmer it must be disadvantageous, because he deprives himself and his family of what they naturally desire and would otherwise enjoy, for the purpose either of acquiring a larger quantity of labouring cattle than he could usefully employ, (the maintenance of which demands farther sacrifices of what his family would wish to enjoy), or of accumulating a hoard of spades, ploughs, and other utensils of husbandry, with which he was acquainted, infinitely greater than he could use; thus depriving himself of substantial enjoyments, for the purpose of acquiring an additional quantity of that of which an increase, after a certain portion is obtained, can be of no further utility.”



By this passage the noble Earl shews, that capital may be increased disadvantageously, as for example, by accumulating more spades, ploughs, &c. than can be employed. By the bye, we must observe, that we by no means assent to the noble Earl's definition of capital; but, for the sake of argument, we will admit all he has said of augmenting capital to an unlimited extent. And, after all, what does it prove against parsimony, which is the act of preserving, and laying by, *wealth*?

The noble author has divided wealth into three kinds; he proves that one of them, capital, may be increased to a disadvantageous amount; and he logically concludes from thence, that the increase of the two other kinds of wealth, which, as well as the augmentation of capital, is the office of parsimony, beyond a certain extent, must be equally detrimental: that is, because one thing is bad, two others must be bad also; or, because a cook may be unprofitably employed in making a tart, it is impossible that he can be beneficially engaged in any thing! These, however, are the arguments on which the noble Earl seems mainly to defend, for proof of the impossibility of parsimony increasing public wealth, and of the notion "that every prodigal is a public enemy, and every frugal man a public benefactor" being a "public *prejudice*."

But we have lost our time in exposing their fallacy; for, unluckily, the noble author admits, both the possibility of increasing the public wealth by parsimony,

and that its effects are beneficial. The following sentences shew the former admission.

“ \* Fortunately, however, for mankind, the mechanism of society is so arranged, that the mischief done by the parsimony and disposition to accumulation of one individual is almost uniformly counteracted by the prodigality of some other ; so that in practice nothing is found more nearly commensurate than the expenditure and revenue of every society. This enquiry, therefore, if mankind were left to regulate their conduct by their inclinations, would be rather a matter of curiosity than utility ; *for if the effects of parsimony are uniformly counteracted by prodigality, the public wealth can neither be increased nor diminished by it.*”

Then, we suppose, if prodigality *could* be prevented, the public wealth would be increased by parsimony. And to say, that, because the effects of a certain agent are counteracted by another, these effects have never been produced, which, without acknowledging this disputed property of parsimony, must be the meaning of the noble Earl, is like saying, that, because the noble Earl might throw this pamphlet behind the fire, the pamphlet has never been written.

That the effects of parsimony are not detrimental, but even beneficial, is pretty clearly maintained in the following sentence of the noble Earl's.

“ † If, even by all these various methods, the increased produce is not consumed, experience shews that abundance

of the necessities of life has a direct tendency to increase population, and by this means to restore the proportion betwixt the demand and the quantity of the increased commodities; thus maintaining their value notwithstanding their abundance, and perpetuating the encouragement to reproduction."

For, if, when the increased produce is not consumed, &c. &c. (*the consequence of parsimony*) population is increased, and encouragement to reproduction perpetuated, surely, the effect may be regarded as beneficial.

We may, however, observe, that, notwithstanding his broad assertion that parsimony cannot be a method of increasing public wealth, and his attempted exposure of the prejudice, that every prodigal is a public enemy, and every frugal man a public benefactor; with a recollection of his own statements truly wonderful the noble Earl fancies he has not been arguing against the *general* claim to merit of a frugal man, and for the character of a prodigal; but with admirable consistency talks of having only shewn the disadvantages of *too great* parsimony. From some of these passages it may appear, as if we had been contesting notions, as the notions of the noble Earl, opposite to what he has written. We acknowledge that some sentences warrant such a conclusion; and in consequence of the noble author's contradictions of himself; but the noble Earl cannot be allowed the subterfuge of taking advantage of his own inconsistencies.

IV. Impelled by his spirit of enmity to parsimony, the noble author proceeds to lay down the last, and, in the present situation of England, the most dangerous point of all—*that the sinking fund is a delusion, and if continued to be acted upon, will inevitably ruin the country.* We call it the most dangerous point of all, because it may be pleaded as excuse, by some future weak or traitorous minister, for violating the sacredness of that, which ought to be regarded by England as her best hope. We should consider the man, who, as Chancellor of the Exchequer, should propose to defeat the operation of the sinking fund, if he proposed it unadvisedly with a view to the public good, we should consider such a man with pity and contempt; if he should persist in defiance of warning, we should still regard him with contempt, but also as the greatest enemy to his country; as we should detest the traitor who would, by this means, wilfully seek the subversion of its constitution.

But, to shew that the doctrine maintained by the noble Earl is really such as we have stated it to be, we select the following passages. Of a plan proposed by Mr. Pitt for hastening the operation of the sinking fund, he says;

“ \* Had an opportunity existed, in profound peace, of applying this sum of 15,000,000*l.* but for two years, to the uses to which by law it was appropriated, the ruin it must have produced would have practically exhibited and explained *the folly of the attempt.*”

Again:

“ \* And that this is a calculation as accurate, and as true, as any with which Parliament has been furnished *in the progress of this delusion.*”

“ Dismal as † the consequences of this experiment must have been in diminishing the reproduction and revenue, there appear, on the other hand, no good effects likely to have resulted from it in relation to the capital of the country, to counteract its evil effects on the revenue.”

Before we examine the noble Earl's arguments, we will extract the statement of a fact on which the arguments are founded. After a detailed history of the sinking fund, and Mr. Pitt's income tax, he says, (the truth of which we will not dispute:)

“ § Under the law of this country, therefore, as it was then constituted, had this income tax produced 10,000,000*l.* 15,000,000*l.* of the revenue of the country would, on the return of peace, have been devoted to accumulation.”

He proceeds ;

“ This statement will not, in substance, be contradicted either by Mr. Pitt or his admirers. He took credit to himself for the device ; and they uniformly asserted, that the merits of the plan, which they stated to be of more importance to Great Britain than the possession of all the mines of America,

would hand down his name with glory to posterity. This, too, was the object of those daring projectors of the tower of Babel who are recorded in sacred history to have said, 'Go to, let us build us a tower whose top may reach unto heaven, and let us make us a name.' And striking as the similarity may be in the object, there will be found a still more glaring resemblance in the design."

Striking as the similarity in the object may appear to the noble Earl, we confess ourselves so dull as to see no similarity at all. The object of the one was to effect an impossibility without the view to public good; the other is to pay a debt, by increasing the public resources at a compound ratio, (a thing perfectly possible) whose professed end is the highest national advantage. The statement by Mr. Pitt's admirers, whatever may be our general opinion of that Right Honourable Gentleman's measures, that the plan is of more importance to Great Britain than the possession of all the mines of America, we cordially agree in.

But the noble Earl urges various arguments; some indeed not very uncommon, though not exactly valid. Amongst these, we observe the following puerility.

"\* —lest the reader should be disposed to think with the generality of mankind, that what is true in figures, and the result of accurate calculation, must be true in practice, and possible in execution, he is desired to reflect, that one penny put out, at our Saviour's birth, at 5 per cent. compound

interest, would, before this time, have increased to a greater sum than could be contained in five hundred millions of earths, all of solid gold; and that this is a calculation as accurate, and as true, as any with which Parliament has been furnished in the progress of this delusion."

The noble Earl will not dispute, that, if a penny *could* be put out at compound interest in this manner, the effect would be the alledged increase; and he cannot deny, that, as long as any part of the £100 millions remains owing by government, the government *can* put out money at compound interest; and that, if they do put out whatever money they receive at compound interest in the proposed manner, the estimated effect will take place. But the conclusion, which seems to be inferred by the noble Earl, is, that because we cannot collect 500,000,000 of earths all of solid gold, we cannot collect a sum not equal to a five hundred millionth part of a five hundred millionth part of the sum: and he infers this, notwithstanding the evidence of facts shews, that such a payment is constantly going on with a rapidity daily accelerated.

The succeeding passages, however, are those we intend more *seriously* to contest—the false reasoning of them not being so palpable.

"\* If 15,000,000*l.* a year extraordinary were levied by the government from the revenue of its subjects, to defray the charge of warfare or any other extraordinary expenditure; as

this money would be expended in articles of consumption, as fast as assumed, the expence of the government would effectually counteract the effects of the parsimony it renders necessary, and creates in the subject. The only mischief, therefore, that could ensue, would arise from the extensive demand it must suddenly occasion for one class of commodities, and from the consequent abstraction of so large a portion of the revenue of the subjects from the acquisition of those articles in which it is usually expended ; a mischief in itself no wise trifling, as recent experience has taught the merchants of this country."

"Very different, however, must have been the effect of raising fifteen millions for the purpose of accumulation, or of forcibly converting fifteen millions of revenue into capital. In this, as in the former case, there would have ensued all the mischief occasioned by abstracting a portion of demand represented by fifteen millions a year, from the commodities which the subjects were accustomed to acquire with this part of their revenue: but, in this case, there would, unfortunately, have existed no extraordinary expenditure, to counteract the public effects of this forced parsimony ; for it would have been difficult to persuade the proprietors of stock, from whom such extensive purchases would have been made by the commissioners of the sinking fund, all at once to spend, as revenue, that which habit had taught them to regard as capital ; or, in other words, all at once to ruin themselves, in order to counteract the bad effects of this miserly policy in government."

"Unless, however, the stockholder could have been persuaded thus to expend his capital, fifteen millions a year less must have been expended in the different articles the country produced or manufactured ; that is, a portion of demand



would at once have been withdrawn from commodities of British growth or manufacture, nearly equal to the whole demand created by the foreign trade of the country in the year 1786, when the million was first set aside to accumulate, as the exports from England amounted in that year to the sum of 15,385,987l."

He goes on to say, which we allow ;

" But if it is true, (which all writers on political economy, however much they may differ on other subjects, concur in asserting), that the whole quantity of industry employed to bring any commodity to the market, naturally suits itself to the effectual demand, and constantly aims at bringing the precise quantity thither that is sufficient to supply the demand ; it follows, that this diminution of demand must occasion a similar diminution of the productions of the country."

But let us examine what would be the real state of things, and we shall be astonished that a nobleman of distinction should have ventured to hazard assertions so destitute of foundation. He supposes, that, by paying off annually 15 millions of the national debt, fifteen millions a year would be taken from the public expenditure, and forced into capital. To substantiate this supposition, it must be shewn, that, at present, the income of all interests in the funds is spent as revenue, and that the person, whose demand is paid off, will employ the whole sum as capital.

To overturn the first point, it need only be recollected, that, when either public bodies, or individuals, are desirous of accumulating a sum of money at compound interest, they almost invariably vest it in the funds. A part only of the annual income arising from the funds, can therefore be spent as revenue in commodities for consumption.

For the second point, let us consider, what would be the change in situation of those holders of that part of the funds, the interest of which has been customarily laid out as revenue, in consequence of the sinking fund; and inquire what effect the change would probably (for we can decide only on probabilities) operate on their expenditure.

To make a due estimate of their change of situation, by the operation of the sinking fund, we are not to consider, what their situation at the time of paying off is, in comparison with theirs whose demands are not paid off, but what in all probability it would have been, had the sinking fund never existed. We will suppose it would have been as it is at this time; a supposition, however, too favourable. The holder of 1000*l.* 3 per cent. consols receives an income of 30*l.*; their price now is 57 per cent.: he could therefore sell his one thousand for 570*l.* Under the operation of the sinking fund, he will continue to receive 30*l.* per annum till he is paid his demand at par, when he will obtain the whole 1000*l.* Such would be the relative situations of the party: in the one case he is possessed of a security

for which he can obtain 570*l.* under the sinking fund 1000*l.* are put into his pocket.

We are to inquire, what effect, this change would probably have on a man's expenditure ; which can only be collected from the experience of what the minds of men commonly impel them to under similar circumstances. Judging then by this rule, we think ourselves justified in maintaining the probability that a man possessed of a thousand pounds, although for this year it might procure him no interest, will bestow more on his present maintenance than an annuitant of 30*l.* who cannot possibly obtain for his right to that annuity a larger sum than 570*l.* And if so, the public expenditure will be increased, instead of being diminished. But the noble Earl's argument will be overturned, not only, if the possessor of 1000*l.* does not, in the mean time, expend more than, or as much as, the annuitant of 30*l.* but even if he should bestow a single particle of it, on his present maintenance.

We have, therefore, shewn the impossibility that fifteen millions should be taken from the national expenditure by paying off fifteen millions of national debt, and the probability that the expenditure would be even increased. But as to the dismal consequences then to be apprehended from a diminution of demand, in consequence of the operation of the sinking fund, they need not be dreaded, if no diminution of demand ensues.

Such are some of the arguments against the sinking fund, which have been submitted to the public; and which, probably, have succeeded in deluding the superficial, or inconsiderate.

We find also the following :

“ The \* only means, therefore, those stockholders could have had of forcing the capital in their hands into employment, must have been by offering to supplant labour, at a cheaper rate than that at which it was antecedently performed. A competition would thus have arisen; the profit of capital must have been diminished; the interest paid for stock or money must have fallen, and of course the value of fixed annuities, or government securities, must have risen: and this must have continued progressively, till capital became so abundant, and its profits so diminished, that the proprietors would have been induced to remove it to other countries, where higher profits might be made; and France would inevitably have been amply supplied with capital, the want of which is the great drawback on her industry.”

We agree with the noble Earl, that lowness of profit in consequence of abundance of capital is the legitimate effect to cause. But the complaint against lowness of profit on capital, like that of the highwages of labour, is a complaint against one of those things which are the surest proofs of universal opulence, and the most flourishing condition of society. Let us ask, what condition of society is to be accounted the most

flourishing?—that in which the great body of a nation is most comfortably fed and cloathed; not in the disproportioned wealth of a particular class of individuals.

The price of commodities is regulated by their abundance in proportion to the demand. If the supply be small, the possessors of them can obtain a higher price, and of course gain a higher profit on their capital. If the supply be abundant, the consumers obtain them for a lower price, and the profit on capital of the possessors is of course diminished. In the first case the proprietors of capital seem to be, in the latter, the consumers of commodities are benefited. But the consumers of commodities are the great mass of the nation. In the first case, therefore, a part only seem to reap, in the second the great body of the nation really reap benefit.

But the noble Earl concludes, that, by a great increase, capital would be withdrawn from England, and that France, in consequence, would be inevitably and amply supplied with it. The noble Earl must mean, either, that so much capital would be withdrawn as to render England less rich and powerful than she was before the increase, or at least prevent her from continuing richer, (for otherwise the increase must be advantageous); or, his advice must be, that we are to injure ourselves rather than not keep France for ever poor. As we will not suppose of the noble Earl a policy so narrow and illiberal as the latter, he must mean the former point; but in this he is warranted by the history of no country.

The profits of capital in France, from the very circumstance of its being scarce, must be higher than in England, where it abounds: but England has never yet on this account suffered by the removal of her capital. The market interest of money is governed by the profits of capital. Now the legal interest of money in our own possessions in the East Indies is 12 per cent. which we believe can be obtained in the market, while at home it is but five; yet the proprietors of ready money in England are not very eager to vest it in Indian securities; for otherwise, though the legal interest might continue to be 12 per cent. the abundance of money to be placed at interest would reduce the obtainable sum to an amount not much higher than the legal interest home. But there is a striking case still more in point. Before the æra of the French revolution the interest of money in Holland, in consequence of the lowness of profit, was not more than  $2\frac{1}{2}$  or 3 per cent. Yet that was acknowledged to be the most flourishing period of her history, and Holland was then the richest country of Europe, and consequently her situation could not, by the removal of capital, have been rendered worse, than when the interest of money was 5 per cent. and her capital of course much smaller. These examples furnish the fact, that no detriment is to be apprehended by a country, in consequence of her wealth being augmented so as to make her profit on capital low. Having then established the fact, let us search for its cause.

One reason why men may be contented with a low profit in one country, when an appearance is held out

to them, that more can be obtained abroad, may be on account of less security where the larger profit is held out. But, admitting the security of property to be in all countries the same, we shall endeavour to shew, not only that the capitalists themselves reap no real advantages from a universal high rate of profit, but that such a change in the rate of profit is beneficial to them as well as the consumers.

We are to recollect, the lowness of profit is occasioned by the diminished price of commodities. If we suppose the demand for commodities not to be increased in consequence of their price being lower, in a degree sufficient to require an addition to the capital employed, the income of the employer of capital is indeed become smaller. But the lowness of profit in the production of commodities being universal, the price of all commodities is lessened in the same proportion; which decrease of price is equal to the diminution of profit. The employer of capital, therefore, with his diminished income can obtain as many of the necessities, comforts, or luxuries of life as formerly, and, with respect to the real wealth of which he is possessed, his situation is exactly the same as formerly. Let the diminution of his profit be from 15 per cent. to 10. Fifteen per cent. profit in England may be supposed to have been as advantageous as 15 per cent. profit in France; but if, in consequence of the lower price of commodities, a profit of 10 per cent. in England is equally advantageous with the former 15 per cent. profit, and if the former 15 per cent. profit in England was equal to the 15 per cent. profit in France, the 10

per cent. profit in England is likewise equal to the 15 per cent. profit in France. Not only at home, but on comparison with other countries, therefore, his situation in respect to wealth remains the same. The only possible change is, that his comparative rank in life must be lower, in consequence of the condition of the poorer class having been bettered.

We made the foregoing argument under the supposition, that the capital employed in the production of commodities was not increased. But not only demand increases with lowness of price ; but we are arguing on the very ground of a great increase having taken place in the quantity of capital employed. Now we have shewn, that, when a general lowering of the profits of capital takes place, the owner continuing to employ the same quantity, can obtain as many desirable commodities with his profit of 10 per cent. as, in the former state of things, with his 15 per cent. profit, and that, in this respect therefore, his situation must remain unaltered ; but that his rank in life must be comparatively lower, the condition of the labouring class having been advanced. But, as a larger capital is employed, the whole money profit of his business is not diminished in proportion to the diminution of from 15 to 10 per cent. (if indeed, his capital be proportionally increased the profit of his whole business is as much as formerly ;) and therefore, as his real situation, with respect to the conveniencies of life, would have continued the same, with such a diminution, with a smaller diminution, it must be improved. The condition of the capitalist then, as well as of the labouring



class, is improved by an increase of capital, notwithstanding its profits per cent. are lowered ; and, if it be improved in the same degree, which we have no reason to doubt, his comparative rank of life is maintained. It will of course be seen, that our argument applies to the aggregate of the employers of capital in a community, which is the only just light in which the question can be viewed ; for the condition of some individuals is always different from the condition of the body collectively, and to conclude any thing from such would be productive of error.

One passage more of the noble Earl's, and we have done. Of a former sinking fund he says ;

—" that \* in the year 1733, we learn from authority, that the ' sinking fund was now grown to a great maturity, and produced annually about 1,200,000*l.* ; and was become almost a terror to all the individual proprietors of the public debt. The high state of credit, the low rate of interest of money, and the advanced price of all public stocks and funds above par, made the great monied companies and all their proprietors, apprehend nothing more than being obliged to receive their principal too fast ; and it *became almost the universal consent of mankind, that a million a year was as much as the creditors of the public could bear to receive in discharge of part of their principal.* [By Sir Robert Walpole.]"

We do not wonder, that the proprietors were then

unwilling to have their stock paid off, because the funds being above par, they received a larger income than they would do after their demands were discharged. But we can discover in this no reason, why the nation, who owed a certain sum to these proprietors of funds, should be so generous as to pay, in the shape of a higher than the market interest of money, more than was really due. As for the idle notion attributed to Sir Robert Walpole, we are not to suppose that prime ministers always speak what they think; but, if such were really his own opinion, it only makes against his pretensions to the character of a political economist.

Thus we have endeavoured to prove, and we think have succeeded in proving, the falseness of four of the noble Earl's principal doctrines, the fallacy of his positions in general, and the sophistry of his arguments. Our design in this has been to prevent the unthinking from paying the work more than its merited regard. The public will judge for itself; but, as for ourselves, we have found so much wrong, that we think no man ought to regard any thing he may read there as authority, because it is there. The texture of the noble Earl's mind appears indeed to us not to have been formed for matters on political economy; at any rate, he must think and write more accurately, and view things in a much more clear, correct, and comprehensive light, before men will be disposed to conclude that a thing probably is so, because Lord Lauderdale lays it down,

To the noble Earl himself we have to address only one word, namely, that before he puts into action his threatened obstinacy in defence of the work, provided he be convinced of its truth, our advice to him is, that he will be careful not to forget his professed readiness in acknowledging its real defects. We presume to give the noble Earl this advice, because our treatment of obstinacy in defence of error is by no means more partial than our treatment of error with good intentions.

FINIS.

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# ERRATA.

Page 6, l. 17. for *farm* read—*form*.

Page 11, l. 12, after *satisfied*, insert—as to *work*.

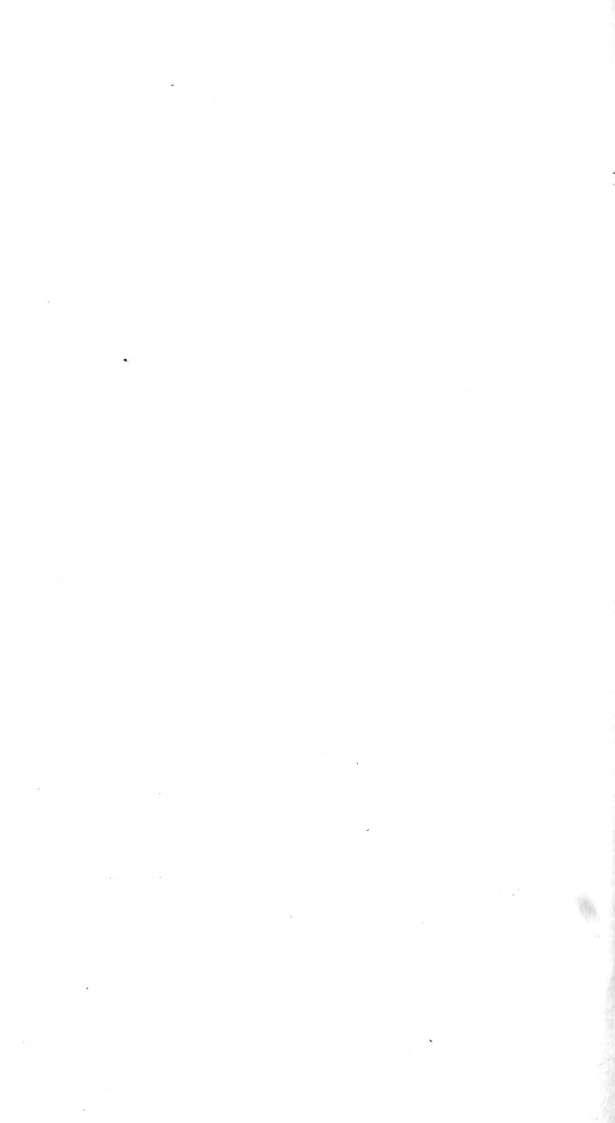
Page 16, l. 26, for *labours*, read—*labourers*.

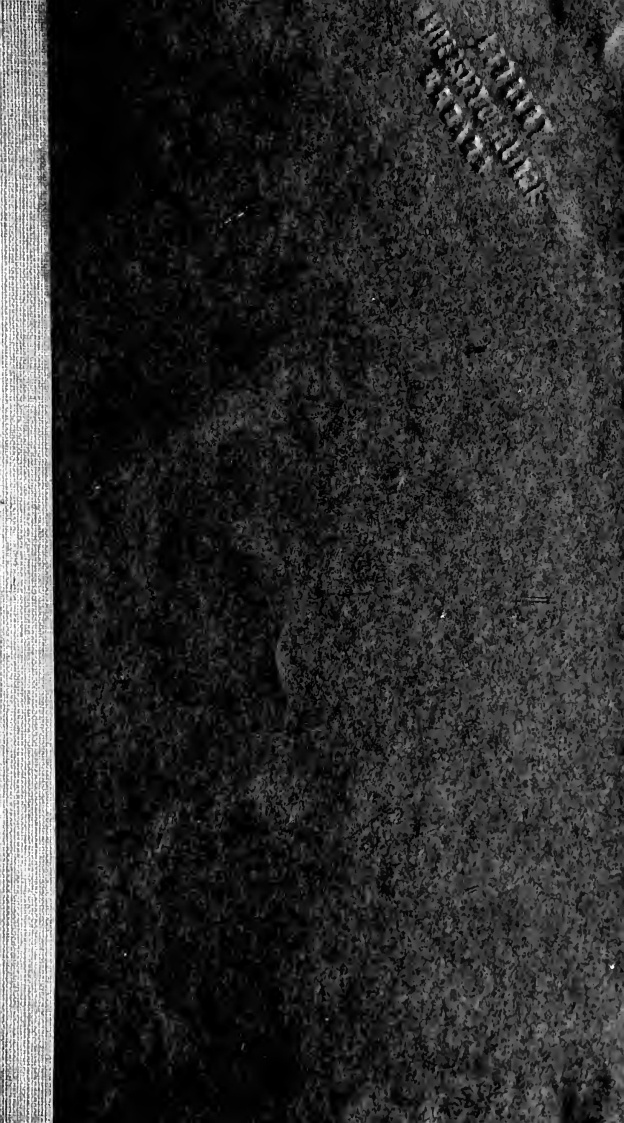
—————l. last, for *vendable*, read—*vendible*.

Page 31, l. 18, for *then*, read—*than*.









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